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D/ICS-85-7687  
5 December 1985

MEMORANDUM FOR: Director of Central Intelligence  
Deputy Director of Central Intelligence  
Director, Intelligence Community Staff

FROM:

  
Chief, Community Counterintelligence Staff  
Intelligence Community Staff

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SUBJECT: Counterintelligence Capabilities Improvements Report (U)

1. This memorandum is provided for your information only. Attached is a copy of a portion of the Intelligence Authorization Act for FY 1986 Conference Report. Section 402 calls for a Counterintelligence Capabilities Improvements Report, which is due within 120 days (1 April 1986). (U)

2. I asked John Elliff, SSCI Staff, about the intent of Section 402, since the DCI had published a counterintelligence capabilities study in July 1982 which covered the period 1983-1988 and it seemed rather soon to do another. Elliff replied that the Congress is not asking for a report from the DCI, but is looking to the NSC to submit the report. In this context, he said the SSCI Staff had deliberately changed the requirement for preparing the report from the DCI to the President. Elliff said that he has been discussing this requirement with Dave Major, Director, Intelligence and Counterintelligence Programs, NSC. According to Elliff, the SSCI will submit to Major an interim committee report by 21 December 1985 on what the Committee believes needs to be done to improve counterintelligence. Major will have 60 days to provide the Committee with comments on what action the executive branch has taken or plans to take to improve our counterintelligence and countermeasures posture. According to Elliff, the Committee and the NSC will then agree on the appropriateness of the response, and the President would have until 1 April 1986 to submit the final report. This report will be used as the basis of the SSCI report to the Senate on the state of counterintelligence. (U)

3. Elliff said he has been working very closely with Major regarding the focus on their joint efforts, which includes the activities of the Task Force Implementation Group set up under NSDD-196 (CI/CM Implementation Task Force). Some of the topics which Elliff said will be addressed by Major's office in response to the SSCI report are TSCM, the technical threat overseas, the Inman report, NSDD-145 (National Policy on Telecommunications and

  
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Automated Information Systems Security), NSDD-196, and NSDD-197 (Reporting Foreign Contacts and Security Awareness). According to Elliff, the SSCI sees this as the most practical means of keeping the pressure on to implement needed measures to improve counterintelligence and the other security countermeasures. (C)

4. I also spoke with Diane Dornan, HPSCI staff. Dornan was involved in the final writing of Section 402. She confirmed that the HPSCI staff is looking to Dave Major and the NSDD 196 task force, which he heads, to provide the impetus for developing the CI capabilities improvements report. According to Dornan, HPSCI is seeking a comprehensive plan from the President which will correct the counterintelligence and countermeasures problems that have been identified over the past year. For example, the initial NSC report would report on what action has been taken to implement the hostile presence options. Dornan said she understood that the charter of the task force established under NSDD 196 is to continuously seek out counterintelligence/countermeasures issues that need to be developed. If that is so, there is a possibility of redundancy in what the Task Force will do and the responsibilities of the SIG-I. (U)

5. I will be in touch with Dave Major to determine how the NSC envisions responding to Section 402. As you may be aware, all the major players in the CI/CM arena are represented on the Task Force, and this group could report on the implementation of those actions forwarded to the NSC by the SIG-I, such as the hostile presence options. With respect to recommended new initiatives which may come down from the SSCI, the questions are can the Task Force carry out its responsibilities without impinging upon the responsibilities of the SIG-I structure and, if so, how. (C)

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Attachment:  
a/s

cc:  
DD/ICS

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## COUNTERINTELLIGENCE CAPABILITIES IMPROVEMENTS REPORT

Sec. 402. (a) Within 120 days after the date of enactment of this Act, the President shall submit to the Permanent Select Committee on Intelligence of the House of Representatives and the Select Committee on Intelligence of the Senate a report on the capabilities, programs, and policies of the United States to protect against, detect, monitor, counter, and limit intelligence activities by foreign powers, within and outside the United States, directed at United States Government activities or information, including plans for improvements which presently are within the authority of the executive branch to effectuate, and recommendations for improvements which would require legislation to effectuate.

(b) The report described in subsection (a) of this section shall be exempt from any requirement for publication or disclosure.

NOTICE TO CONGRESS OF CERTAIN TRANSFERS OF DEFENSE ARTICLES  
AND DEFENSE SERVICES

Sec. 403. (a) (1) During fiscal year 1986, the transfer of a defense article or defense service exceeding \$1,000,000 in value by an intelligence agency to a recipient outside that agency shall be considered a significant anticipated intelligence activity for the purpose of section 501 of the National Security Act of 1947.

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Distribution of D/ICS-85-7687 (w/att as shown):

- 0 - DCI
- 1 - DDCI
- 1 - D/ICS
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- 1 - ICS Registry
- 1 - CCIS subject
- 1 - C/CCIS chrono

SIG(I) Meeting on Counterintelligence

Tuesday, 17 December 1985

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REVIEW OF COMMUNITY COUNTERINTELLIGENCE AND SECURITY MATTERSAgenda

- |       |  |                                  |      |
|-------|--|----------------------------------|------|
| I.    | Introduction   | DCI<br>(3 minutes)               |      |
| II.   | Summary of Recent Congressional Hearings<br>on CI and Security                   | DDCI<br>(5 minutes)              | 25X1 |
| III.  | Presentation of Recent Activities/Future<br>Plans of:                            |                                  |      |
|       | -- The IG/CI   | Judge Webster<br>(5 minutes)     |      |
|       | -- The IG/CM   | Craig Alderman<br>(5 minutes)    |      |
|       | -- The SECOM   |                                  | 25X1 |
|       | -- The NTISSC  | Don Latham<br>(5 minutes)        | 25X1 |
|       | -- The IHC   |                                  |      |
| IV.   | Plans for Security of Overseas Facilities  | Robert Lamb<br>(5 minutes)       |      |
| V.    | DoD Actions Flowing from Stilwell Commission<br>Report                           | General Stilwell<br>(5 minutes)  |      |
| VI.   | COMSEC/COMPUSEC Initiatives  | General Odom<br>(5 minutes)      | 25X1 |
| VII.  | Administration Policy on Leaks   | Ken deGraffenreid<br>(5 minutes) |      |
| VIII. | Status of Implementation of NSDD 196<br>(Task Force on Hostile Presence Options) | David Major<br>(5 minutes)       |      |
| IX.   | Discussion   | All<br>(15 minutes)              |      |
| X.    | Summary  | DCI (2 minutes)                  |      |

*State not going along with polygraph*

END OF TRANSMISSION

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S E C R E T

DDA 85-3040/5  
3 December 1985

MEMORANDUM FOR: Deputy Director of Central Intelligence

FROM: Harry E. Fitzwater  
Deputy Director for Administration

SUBJECT: Hearing on Technical Security on 4 December 1985

1. The following are additional points that you may want to consider in preparing for the Subject Hearing:

-Agree that there are recognized serious deficiencies in U.S. technical security abroad.

-Agree that these deficiencies have been produced to a large degree by a lack of coordinated planning and direction.

-Acknowledge the need for centralized policy and planning in technical security, but you or DCI and SecState have it under control.

-We know that technical security has long suffered from a disproportionately low share of available resources.

-State must play a central role in embassy security and there is strong evidence it is taking the responsibility seriously.

-CIA must work as a partner with State and take a lead support role in moving technical security ahead.

o We have a recognized operational and technical base upon which to build.

o We have a solid working relationship with State and a common interest in protecting our embassies abroad. (Para 2 below)

o Our successful inspection of the New Embassy in Moscow is evidence of what our partnership with State can produce.

-The best expertise in other agencies, especially NSA and the FBI, must be tapped to support CIA and State efforts.

-Solutions we ultimately derive should take in full consideration the recommendations of the Inman Report concerning embassy security.

WARNING NOTICE  
INTELLIGENCE SOURCES  
OR METHODS INVOLVED

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ATTENDEES

<u>NAME</u>	<u>ORGANIZATION</u>	
POLLARI, Ray	OSD	
TAYLOR, Frank	OSD	
	NSA	25X1
	NSA	
	NSA	
	NSA	
	Army	
	Army	
	Navy	
	Air Force	
	Marine Corps	
	Marine Corps	
FANN, Ronald L.	FBI	
GALLO, Anthony	FBI	
McCULLAH, Lanny	CIA	25X1
LAW, Richard F.	NSC	
GUENTHER, John	Justice	
ROBINSON, Lloyd A.	Justice	
GEER, James H.	DIA	25X1
DuHADWAY, Thomas	State	
	State	
	State	
	State	
	State	
	Energy	
	Energy	
MAJOR, David G.	ICS	25X1
LAWTON, Mary C.	ICS	
ALLAN, Kimberly	ICS	
	ICS	
	ICS	
HEICHLER, Lucian		
HARDESTY, Linda		
SHEAR, David		
O'BRIEN, Patrick O.		
O'BRIEN, Robert		
RITCHIE, Louis		

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